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C O N F I D E N T I A L STATE 155209

THE FOLLOWING STATE 155209 DATED 21 MAY SENT ACTION
KAMPALA INFO NAIROBI, KHARTOUM, KIGALI, LAGOS, LONDON,
CAIRO, USUN NEW YORK BEING REPEATED FOR YOUR INFORMATION:

QUOTE: C O N F I D E N T I A L STATE 155209

E.O. 12356: DECL: OADR

TAGS: PREL, ECON, EFIN, PGOV, KDEM, UG, SU, RW

SUBJECT: THE SECRETARY'S MEETING WITH PRESIDENT MUSEVENI

1. CONFIDENTIAL - ENTIRE TEXT.

SUMMARY/INTRODUCTION

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2. IN A MAY 18 MEETING WITH THE SECRETARY, UGANDAN
PRESIDENT MUSEVENI PROVIDED AN UPBEAT ASSESSMENT OF THE
UGANDAN ECONOMY, EXPRESSED APPRECIATION FOR U.S.
ASSISTANCE AND ASKED FOR CONTINUED SUPPORT IN
INTERNATIONAL FINANCIAL INSTITUTIONS. THE SECRETARY AND
PRESIDENT MUSEVENI EXPRESSED HOPES THAT UGANDA'S STABILITY
AND ECONOMIC REFORMS WOULD LEAD TO INCREASED U.S.
INVESTMENT. MUSEVENI SAID HE WAS READY TO ACCEPT UN
OBSERVERS ALONG THE BORDER WITH RWANDA, BUT STRESSED THAT
THE PROBLEM WAS WITHIN RWANDA, DENYING THAT THE GOV HAD

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EVER BEEN INVOLVED IN THE CONFLICT. THE SECRETARY OUTLINED OUR APPROACH ON THE HUMANITARIAN CRISIS IN SOUTHERN SUDAN. MUSEVENI URGED INTERNATIONAL PRESSURE TO COMPEL KHARTOUM TO AGREE TO A SETTLEMENT. MUSEVENI REVIEWED UGANDA'S DEMOCRATIZATION PROCESS, NOTING THAT

ELECTIONS UNDER A NEW CONSTITUTION WERE PLANNED FOR 1994.
END SUMMARY.

3. THE SECRETARY MET WITH UGANDAN PRESIDENT MUSEVENI, HERE ON A PRIVATE VISIT, ON MAY 18. MUSEVENI WAS ACCCOMPANIED BY FOREIGN MINISTER SSEMOGERERE AND AMBASSADOR TO THE U.S. KATENTA-APULI. AF DAS BRYNN, AMBASSADOR CARSON, AND DESK OFFICER ALSO ATTENDED.

ECONOMIC ASSESSMENT

4. THE SECRETARY ASKED FOR AN ASSESSMENT OF UGANDA'S ECONOMY. MUSEVENI NOTED THAT INFLATION WAS DOWN FROM 240 PERCENT IN 1986 TO 1.1 PERCENT THIS YEAR, WHILE THE LEVEL

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OF GDP HELD CONSTANT. THE KEYS TO REDUCING INFLATION WERE REDUCTION OF GOVERNMENT SPENDING, DISCIPLINED MONETARY POLICY AND MAINTAINING AN ADEQUATE SUPPLY OF GOODS. THE PRESIDENT ADDED THAT UGANDA HAD DIVERSIFIED EXPORTS--COFFEE NOW MADE UP ONLY ONE-FOURTH OF THE TOTAL. OIL SEEDS, COTTON, TEA AND TOURISM WERE REPLACEMENTS. THE SECRETARY NOTED THE GREAT ECONOMIC POTENTIAL IN UGANDA. MUSEVENI AGREED, DESCRIBING THE RICH AGRICULTURAL BASE, AND THE POTENTIAL FOR DEVELOPING TIMBER, FISHING, AND MINERAL RESOURCES.

5. THE SECRETARY ASKED ABOUT UGANDA'S RELATIONS WITH THE WORLD BANK AND HOW WE COULD BE OF HELP. PRESIDENT MUSEVENI SAID RELATIONS WITH THE BANK WERE GOOD AND ASKED FOR CONTINUED U.S. SUPPORT. HE NOTED THAT INFRASTRUCTURE PROJECTS WERE MOST VITAL, ALONG WITH THE DEVELOPMENT OF HUMAN RESOURCES. MUSEVENI EXPRESSED PARTICULAR INTEREST IN PROJECTS TO ENCOURAGE LITERACY, ADDING THAT THE OBJECTIVE WAS TO GIVE EVERYONE AT LEAST 8 YEARS OF SCHOOLING. THE SECRETARY AGREED THAT EDUCATION WAS CRUCIAL, PARTICULARLY FOR HEALTH AND FAMILY PLANNING. MUSEVENI NOTED THAT SOME COUNTRIES, SUCH AS DENMARK AND INDIA, WERE PROVIDING SOFT LOANS TO THEIR CITIZENS FOR

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INVESTMENTS IN UGANDA, AND SUGGESTED THAT THE U.S. MIGHT DO THE SAME.

6. MUSEVENI EXPRESSED APPRECIATION FOR U.S. ASSISTANCE. AMBASSADOR CARSON POINTED OUT THAT UGANDA WAS THE SIXTH LARGEST RECIPIENT OF U.S. DEVELOPMENT AID IN SUB-SAHARAN AFRICA. THE SECRETARY ASKED IF UGANDA'S INCREASED STABILITY INCREASED ITS ATTRACTIVENESS FOR U.S.

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INVESTMENT. AMBASSADOR CARSON NOTED THAT OPIC HAD CARRIED OUT ITS FIRST-EVER TRADE MISSION TO UGANDA IN 1992.

AIDS

7. THE SECRETARY ASKED PRESIDENT MUSEVENI ABOUT THE STRUGGLE AGAINST AIDS IN UGANDA. MUSEVENI NOTED SOME PROGRESS IN INCREASING PUBLIC AWARENESS, BUT SAID ONLY MARGINAL INROADS AGAINST THE DISEASE HAD BEEN ACHIEVED. HE NOTED DISCUSSIONS WITH USAID ON EQUIPMENT FOR ANALYZING LOCAL HERBS WHICH COULD BE USEFUL AGAINST AIDS. THE SECRETARY NOTED THAT THE POSSIBLE USE OF SUCH HERBS AND TREES WAS NOT ADEQUATELY APPRECIATED.

RWANDA

8. THE SECRETARY REQUESTED MUSEVENI'S ASSESSMENT OF THE RWANDA CONFLICT. MUSEVENI SAID SOME PROGRESS WAS BEING REPORTED AT THE ARUSHA TALKS. HE NOTED ACCUSATIONS THAT THE GOU WAS ARMING THE REBELS, AND SAID HIS GOVERNMENT WAS AGREEABLE TO UN OBSERVERS ON THE BORDER. THE SECRETARY ASKED IF THE SECRETARY GENERAL HAD AUTHORIZED THIS. AMBASSADOR CARSON SAID THE PROPOSAL STILL AWAITED THE SYG'S APPROVAL.

MUSEVENI MAINTAINED THAT "THE REAL BATTLE IS INSIDE RWANDA," NOT BETWEEN UGANDA AND RWANDA. HE EXPRESSED HOPE THAT ANY UN RESOLUTION WOULD REFLECT THIS. THE SECRETARY POINTED OUT THAT THERE HAD BEEN REPORTS OF CROSS BORDER

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ACTIVITY. MUSEVENI SAID

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HAD DRIVEN 250,000 REFUGEES INTO UGANDA. HE

CONCEDED,

HOWEVER, THAT IN 1990 SOME RWANDAN REFUGEES IN UGANDA HAD JOINED THE REBEL FORCES.

SUDAN

9. THE SECRETARY SAID SUDAN WAS VERY WORRISOME, NOTING THAT THE SYG WAS ABOUT TO APPOINT A SPECIAL COORDINATOR FOR SUDAN AND THAT WE WOULD BE NAMING A U.S. COORDINATOR

AS WELL. MUSEVENI AGREED THAT SUDAN WAS PROBABLY AFRICA'S BIGGEST PROBLEM, AFTER SOUTH AFRICA. HE NOTED THAT 90,000 SUDANESE REFUGEES HAD FLED TO UGANDA.

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10. THE SECRETARY ASKED ABOUT IRANIAN INFLUENCE IN SUDAN.

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INSISTED ON "OWNING" THE CENTRAL GOVERNMENT, PARTITION WOULD BE THE ONLY ANSWER. THE SECRETARY NOTED THAT JOINT ARRANGEMENTS HAD BEEN TRIED IN THE PAST. MUSEVENI SAID THE ARABS HAD ALWAYS OVERTURNED THIS.

11. THE SECRETARY ASKED IF THE OAU HAD ADDRESSED SUDAN. MUSEVENI SAID THE ISSUE HAD NOT YET BEEN DISCUSSED OPENLY, BUT WOULD BE DEALT WITH AT THE NEXT OAU SUMMIT IN CAIRO. HE NOTED THAT TENSIONS BETWEEN CAIRO AND KHARTOUM HAD ESCALATED. FOREIGN MINISTER SSEMOGERERE AGREED THAT SUDAN WOULD BE HIGH ON THE AGENDA.

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WORLD BANK/IMF

12. THE SECRETARY ASKED ABOUT UGANDA'S RELATIONS WITH THE WORLD BANK AND WHETHER THE GOU WAS IN COMPLIANCE WITH IMF STANDARDS. MUSEVENI SAID RELATIONS WITH THE BANK WERE GOOD AND IMF CONDITIONS WERE BEING MET. HE SAID HE DID NOT AGREE WITH THOSE WHO MAINTAINED THAT IMF CONDITIONS WERE TOO HARSH--COMPLYING WAS SIMPLY A MATTER OF NOT SPENDING MONEY YOU DID NOT HAVE AND NOT UNDERMINING YOUR OWN CURRENCY. MUSEVENI SAID THE IMF AND WORLD BANK HAD MISTAKENLY BELIEVED THAT SHORT TERM MONETARY STABILIZATION COULD IN ITSELF BRING ABOUT ECONOMIC TRANSFORMATION. IN REALITY, INDUSTRIALIZATION WAS ALSO NEEDED, SINCE COUNTRIES SUCH AS UGANDA COULD NO LONGER RELY ON STABLE PRICES FOR RAW MATERIALS.

DEMOCRATIZATION

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13. THE SECRETARY ASKED ABOUT UGANDA'S DEMOCRATIZATION PROCESS. THE PRESIDENT SAID A CONSTITUENT ASSEMBLY WAS ELECTED LAST YEAR TO PREPARE A NEW CONSTITUTION UNDER WHICH ELECTIONS WOULD BE HELD IN 1994. THE ASSEMBLY WAS CONSULTING DIRECTLY WITH THE UGANDAN PEOPLE AND THE CONSTITUTION WOULD ENCAPSULATE SPECIFIC ELEMENTS OF UGANDAN SOCIETY, INCLUDING THE ROLE OF TRADITIONAL AUTHORITIES. CHRISTOPHER UNQUOTE CHRISTOPHER

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